



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

April 25, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **GANN LETTER**

Per Article XIII B of the State Constitution, the annual calculation of the appropriations (spending) limits under this Article is to be reviewed as part of the annual financial audit. The County's Appropriations Limits review was performed by our external auditors, KPMG LLP. We are attaching a copy of their report, commonly referred to as the "GANN Letter," for the year ended June 30, 2006. No exceptions were noted.

JTM-JN-CY:bh
GANN Transmittal to Board #2 05-06

Attachment

c: David E. Janssen
Sachi A. Hamai
Public Information Office



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Board of Supervisors
County of Los Angeles, California:

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the County of Los Angeles, California (the County), for the year ended June 30, 2006. These procedures, which were agreed to by the Board of Supervisors and management of the County and recommended by the League of California Cities (as presented in the publication entitled *Agreed-Upon Procedures Applied to the Appropriation Limitation by Article XIII B of the California Constitution*), were performed solely to assist the County in evaluating whether it met the requirements of Section 1.5 of Article XIII-B of the California Constitution. The County's management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the accompanying Appropriations Limit Worksheet for the year ended June 30, 2006 and compared the limit and annual adjustment factors included in the worksheet to the limit and annual adjustment factors that were adopted by resolution of the Board of Supervisors. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the County's Board of Supervisors.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet, we added the 2004-05 Appropriations Limit to the total adjustments and compared the resulting amount to the Adjusted 2004-05 Appropriations Limit. Additionally, we multiplied the Adjusted 2004-05 Appropriations Limit by the adjustment factors and compared the resulting amount to the Adjusted 2005-06 Appropriations Limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet to supporting worksheets designed and prepared by the County.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year's appropriations limit adopted by the County's Board of Supervisors for the prior year.

Finding: We noted certain differences which were attributed to transfers and various annexations and are described in the accompanying Notes to Appropriations Limit Worksheet.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Supervisors and management of the County of Los Angeles, California, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

KPMG LLP

February 28, 2007

COUNTY OF LOS ANGELES, CALIFORNIA

Appropriations Limit Worksheet

Year ended June 30, 2006

	<u>2004-05</u> <u>Appropriations</u> <u>Limit</u>	<u>Adjustments</u> <u>(Note 1)</u>	<u>Adjusted</u> <u>2004-05</u> <u>Appropriations</u> <u>Limit</u>	<u>Adjustment</u> <u>factors</u> <u>(Note 2)</u>	<u>Adjusted</u> <u>2005-06</u> <u>Appropriations</u> <u>Limit</u>
Countywide	\$ 10,717,110,071	(7,245)	10,717,102,826	1.06334599	\$ 11,395,988,314
Special Districts:					
Fire Protection District	\$ 711,421,514	(85)	711,421,429	1.06325547	\$ 756,422,726
Flood Control and Drainage:					
Improvement Districts	\$ 308,952,315		308,952,315	1.06325547	\$ 328,495,239
Garbage Disposal Districts:					
Athens	\$ 1,723,012	—	1,723,012	1.06325547	\$ 1,832,002
Belvedere	11,053,591	—	11,053,591	1.06325547	11,752,791
Firestone	5,952,258	—	5,952,258	1.06325547	6,328,771
Malibu	930,397	—	930,397	1.06334599	989,334
Mesa Heights	1,472,301	—	1,472,301	1.06325547	1,565,432
Walnut Park	798,338	—	798,338	1.06325547	848,837
	\$ 21,929,897	—	21,929,897		\$ 23,317,167
Recreation and Parks Districts:					
Bella Vista	\$ 57,873	—	57,873	1.06325547	\$ 61,534
Hacienda	198,022	—	198,022	1.06325547	210,548
Montebello	623,750	—	623,750	1.06325547	663,206
	\$ 879,645	—	879,645		\$ 935,288
Lighting Districts:					
Bell	\$ 769,128	—	769,128	1.06325547	\$ 817,780
Bell Gardens	1,314,878	—	1,314,878	1.06325547	1,398,051
Calabasas	222,803	—	222,803	1.06334599	236,917
Lawndale	1,619,074	—	1,619,074	1.06325547	1,721,489
Longden	171,597	—	171,597	1.06325547	182,451
Malibu	264,956	—	264,956	1.06334599	281,740
1472	694,684	—	694,684	1.06325547	738,627
1575	450,150	—	450,150	1.06325547	478,624
1616	1,223,709	—	1,223,709	1.06325547	1,301,115
1687	37,293,460	—	37,293,460	1.06325547	39,652,475
1697	2,732,206	—	2,732,206	1.06325547	2,905,033
1744	1,571,681	—	1,571,681	1.06325547	1,671,098
1866	533,449	—	533,449	1.06325547	567,193
10006	1,693,100	—	1,693,100	1.06325547	1,800,198
10032	569,020	—	569,020	1.06325547	605,014
10038	912,269	—	912,269	1.06325547	969,975
10045A	2,617,975	—	2,617,975	1.06325547	2,783,576
10045B	141,556	—	141,556	1.06325547	150,510
10049	23,402	—	23,402	1.06325547	24,882
10066	2,608,848	—	2,608,848	1.06325547	2,773,872
10075	245,430	—	245,430	1.06325547	260,955
10076	448,637	—	448,637	1.06325547	477,016
	\$ 58,122,012	—	58,122,012		\$ 61,798,591
Waterworks Districts:					
Waterworks Districts General #21	\$ 221,744	—	221,744	1.06325547	\$ 235,771
Waterworks Districts ACO #29	7,066,958	—	7,066,958	1.06325547	7,513,982
Waterworks Districts ACO #36	1,223,898	—	1,223,898	1.06325547	1,301,316
Waterworks Districts General #37	417,120	—	417,120	1.06325547	443,505
Waterworks Districts General #40	1,447,014	—	1,447,014	1.06325547	1,538,546
Waterworks Districts ACO #40	11,850,950	—	11,850,950	1.06325547	12,600,587
	\$ 22,227,684	—	22,227,684		\$ 23,633,707

See accompanying notes to Appropriations Limit Worksheet.

COUNTY OF LOS ANGELES, CALIFORNIA

Notes to Appropriations Limit Worksheet

Year ended June 30, 2006

(1) 2004-05 Appropriations Limit Adjustments

The previously reported 2004-05 Appropriations Limit was adjusted in aggregate by \$7,330. Property tax revenue transfers affecting the Cities of Palmdale, West Covina, Industry and Azusa, as well as the detached areas from Westmount Drive and West Hills, decreased the 2004-2005 appropriation limits by a net \$7,245. Property tax revenues transferred from the Consolidated Fire Protection District to the County of Los Angeles also decreased the 2004-05 appropriations limit by \$85.

(2) Adjustment Factors

The County, as allowed by law, has chosen to use various population factors to compute its adjustment factors for the year ended June 30, 2006. The Countywide population factor uses the change in population within its jurisdiction, combined with the change in population within all counties having borders that are contiguous to the County of Los Angeles. The population factor for each of the special districts is based solely on the change in population within the County of Los Angeles, and the County of Los Angeles and each special district governed by the Board of Supervisors of the County of Los Angeles chooses to use the percentage change in California Per Capita Personal Income from the preceding year, provided by the State of California Department of Finance. Such factors are as follows:

Countywide:

California Per Capita Personal Income	1.0526
Population Factor	× 1.0102
Adjustment factor	<u>1.0633</u>

Special Districts:

California Per Capita Personal Income	1.0526
Population Factor	× 1.0101
Adjustment factor	<u>1.0632</u>

Calabasas and Malibu Lighting Districts and Malibu Garbage Disposal Districts:

California Per Capita Personal Income	1.0526
Population Factor	× 1.0102
Adjustment factor	<u>1.0633</u>